FITCH AFFIRMS FAUQUIER COUNTY, VIRGINIA'S GOS AT 'AA'; OUTLOOK STABLE

Fitch Ratings-New York-11 August 2009: During the course of routine surveillance, Fitch Ratings has affirmed the 'AA' rating for Fauquier County, Virginia's (the county) $37 million of outstanding general obligation (GO) school bonds, series 2006. The Rating Outlook is Stable.

The 'AA' rating reflects the county's solid financial profile and conservative policies, high wealth levels, comparatively low unemployment levels, and a low-to-moderate debt burden with a solid history of pay-as-you-go capital financing. The county's limited economy and employment concentration in the construction sector are factored into the rating. Maintenance of the Stable Outlook assumes that a projected decline in assessed valuations will not hamper the county's revenue raising capacity.

Fauquier County is located 40 miles southwest of Washington, DC and approximately 95 miles northwest of Richmond, VA. Largely rural and agrarian in nature with plans to retain that character, development activity is centered in the county's nine service districts and three incorporated towns. Strong schools and new housing continue to attract families although school population growth is projected to decelerate to less than one percent annually over the next two years. Growth in the construction, financial, health, and professional service sectors has historically contributed to high employment levels and resulted in a mitigated employment decline over the past year in comparison to the region and state. County unemployment as of June 2009 of 5.7% compared favorably to the state and national levels of 7.3% and 9.7%, respectively. Per capita money income levels in the county are high, recorded at 121% and 142% of the state and national rates, respectively.

Financial operations are sound, as evidenced by the consistent maintenance of reserves in line with adopted fiscal policy. County policy requires maintenance of its unreserved, undesignated fund balance at 10% of general operating revenues, and the 2008 ratio was in compliance at 10.7%. The county's unreserved general fund balance, a measure more commonly used by Fitch, totaled $19.1 million or 12.7% of expenditures and transfers out in fiscal 2008, only slightly below the $20.7 million in fiscal 2006 in spite of consistent cash funding of capital needs.

Projections for fiscal 2009 indicate a slight operating surplus achieved by a limited number of lay-offs, the elimination of unoccupied vacancies, and a reduction in non-personnel spending. The fiscal 2010 general fund budget is approximately 1% below that adopted in fiscal 2009 and includes the elimination of additional positions. The county projects meeting its undesignated fund balance target at the conclusion of the fiscal year. The upcoming fiscal 2010 tax base revaluation is anticipated to produce an 18% decline in the tax base, a contrast to the historically strong growth of around 17% annually from 1999 through the 2006 revaluation. County officials anticipate adjusting the tax rate as necessary to maintain strong property tax collections.

The county's debt profile is stable, with low-to moderately-low debt levels, rapid amortization, and manageable capital needs. Pay-as-you-go capital financing has been substantial, equaling around 39% of capital projects from fiscal 1999-2008. Overall debt-to-property market value is low at 0.9%, and debt per capita is a more moderate $1,991. Amortization is rapid at 64% within 10 years. The next debt issuance is expected to total less than $6.1 million to fund the expansion of a wastewater treatment plant, inclusive of the repayment of interim project financing of up to $1 million. The county has reoriented its Capital Improvement Plan (CIP) to span six years, a reduction from the 10 years of former CIPs. The fiscal 2010-2015 CIP totals $129 million, with schools construction ($52 million) and a placeholder for a government office building ($40 million) accounting for the majority of the projects. Cash funding is slated to total $16 million over the course of the plan, which appears conservative when considering the county's history of annual capital spending.

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